

# Gov's Off - Public Empl Retirement Syst Administration

## Description:

PERSI administers a Defined Benefit (DB) retirement plan mandatory for all eligible state and school district employees and for employees of political subdivisions which have elected to participate. The plan also provides separation, disability, death and survivor benefits. PERSI also administers the sick leave/medical insurance reserve for state and school retirees and the former Firemen's Retirement Fund.

The legislature established and PERSI administers a defined contribution (DC) retirement plan for 62,000 active members of PERSI. This is a relatively new plan, as a supplement to the DB plan, which provides a 401(k) plan option to all members who are eligible. The PERSI budget increases reflect the administration of this Choice 401(k) plan in FY 2001 and FY 2002.

For the past several years PERSI has participated in an annual benchmarking study of workloads and productivity. This study compares the activities of various public retirement systems in terms of cost effectiveness, efficiency and customer service. Next year PERSI will have sufficient history to compare the benchmark targets over time and many of the following measures will be replaced by these benchmarks.

## Major Functions and Targeted Performance Standard(s) for Each Function:

1. Provide secure retirement benefits by collecting, maintaining and distributing retirement funds as specified by law.
  - A. Keep 98% of employer contribution accounts receivable current.

Actual Results			
2000	2001	2002	2003
99.02%	98.44%	99%	93.00%
Projected Results			
2004	2005	2006	2007
99.40%	99.50%	99.50%	99.50%

- B. Retirement contributions collected.

Actual Results			
2000	2001	2002	2003
\$304,472,000	\$251,070,000	\$336,011,000	\$365,021,000
Projected Results			
2004	2005	2006	2007
\$381,447,000	\$398,612,000	\$416,550,000	\$435,295,000

- C. Pay all separation benefits within three weeks.

Actual Results			
2000	2001	2002	2003
6,174 (100%)	7,609(100%)	8,431(100%)	7,233(100%)
Projected Results			
2004	2005	2006	2007
7,800	7,900	8,100	8,100

- D. Pay all new retirees on the first of the month following their retirement date.

Actual Results			
2000	2001	2002	2003
1,412 (100%)	1,727	1,793	2,141
Projected Results			
2004	2005	2006	2007
2,205	2,271	2,340	2,410

## Gov's Off - Public Empl Retirement Syst Administration

### E. Benefits paid (retirement, separations, disability)

Actual Results			
2000	2001	2002	2003
\$244,892,000	\$287,037,000	\$290,067,000	\$317,601,000
Projected Results			
2004	2005	2006	2007
\$331,893,000	\$346,828,000	\$362,435,000	\$378,745,000

### F. Keep total administrative expense less than 2% of total expense.

Actual Results			
2000	2001	2002	2003
1.34%	1.78%	2.10%	1.85%
Projected Results			
2004	2005	2006	2007
1.84%	1.84%	1.80%	1.80%

### G. Keep administrative expense below .15% (15 basis points) of total asset market value.

Actual Results			
2000	2001	2002	2003
.05%	.09%	.11%	.10%
Projected Results			
2004	2005	2006	2007
.10%	.10%	.09%	.09%

2. Assist our members and employer units by providing high quality service, retirement education and information.

### A. Increase ratio of members to PERSI staff by 1% per year. Implementation of Choice plan affects this calculation. It will be modified in the future.

Actual Results			
2000	2001	2002	2003
2,113/1 (+2.2%)	*	*	*
Projected Results			
2004	2005	2006	2007
*	*	*	*

### B. Active members.

Actual Results			
2000	2001	2002	2003
60,400	62,100	62,400	62,400
Projected Results			
2004	2005	2006	2007
64,300	66,200	68,200	70,200

### C. Inactive Members.

Actual Results			
2000	2001	2002	2003
18,500	18,700	18,300	18,600
Projected Results			
2004	2005	2006	2007
19,200	19,300	19,300	19,300

**Gov's Off - Public Empl Retirement Syst  
Administration**

D. Retired members.

Actual Results			
2000	2001	2002	2003
22,500	23,300	24,000	25,000
Projected Results			
2004	2005	2006	2007
26,300	27,600	29,000	30,500

E. Total system membership including actives, retirees, and inactive.

Actual Results			
2000	2001	2002	2003
101,300	104,100	104,700	106,000
Projected Results			
2004	2005	2006	2007
119,800	113,100	116,500	120,000

F. Number of PERSI staff FTP.

Actual Results			
2000	2001	2002	2003
48	56	63	63
Projected Results			
2004	2005	2006	2007
63	63	65	66

G. Estimated number of call-in customers (all three offices).

Actual Results			
2000	2001	2002	2003
65,400	86,675	73,861	75,300
Projected Results			
2004	2005	2006	2007
77,600	80,900	89,200	95,000

H. Total number of employer units.

Actual Results			
2000	2001	2002	2003
638	645	659	668
Projected Results			
2004	2005	2006	2007
672	678	683	688

I. Increase member attendance at PERSI workshops/presentations by 25% per year. \*Decrease due to field staff involvement in galena project unavailable to do presentations.

Actual Results			
2000	2001	2002	2003
2,444 (+24%)	7,518	5,900	5,400
Projected Results			
2004	2005	2006	2007
5,500	5,700	5,900	6,000

## Gov's Off - Public Empl Retirement Syst Administration

J. Keep benefit estimates within 3% of the actual benefit calculation.

Actual Results			
2000	2001	2002	2003
2.0% difference	1.0% difference	2.0% difference	1.5% difference
Projected Results			
2004	2005	2006	2007
1.0% difference	1.0% difference	1.0% difference	1.0% difference

K. Number of benefit estimates done by PERSI field representatives.

Actual Results			
2000	2001	2002	2003
7,467	8,917	9,202	7,600
Projected Results			
2004	2005	2006	2007
12,900	15,150	15,700	15,700

L. Maintain turnaround time of one week to microfilm documents.

Actual Results			
2000	2001	2002	2003
2 week	1 week	1 week	3 days
Projected Results			
2004	2005	2006	2007
3 days	3 days	3 days	3 days

M. Number of documents microfilmed during the year. This number is decreasing contingent upon implementation of a document imaging system within the next three years.

Actual Results			
2000	2001	2002	2003
189,800	190,000	200,000	172,800
Projected Results			
2004	2005	2006	2007
172,000	170,000	80,000	0

N. Reduce the number of manually-entered data records by 50% (to 180,000) between the years 1996 and 2005.

Actual Results			
2000	2001	2002	2003
335,731	344,200	206,400	50,000
Projected Results			
2004	2005	2006	2007
12,000	10,000	9,600	9,600

**Program Results and Effect:**

PERSI administers a Defined Benefit (DB) retirement plan and, effective in 2001, a Defined Contribution (DC) plan providing secure, long-term retirement benefits for career public service employees. PERSI's members and beneficiaries receive direct benefits through retirement, disability, and death benefit programs.

Taxpayers benefit from PERSI programs because:

- 1) The DB plan helps to attract and retain public employees, creating a more stable workforce to provide needed public services more reliably.
- 2) PERSI's pooling of risks and benefits over a large employee/employer base provides economies of scale, as well as consistent professional management of assets and benefits.
- 3) The structure of the DB plans provides retirement benefits to career employees in a cost-effective manner. Gains from favorable investment results are returned to employers/employees in the form of stable contribution rates. Beginning in 2001, if approved by the PERSI board, excess gains will be distributed to employees, retirees and employers per Gain Sharing legislation.
- 4) The DB plans replace a portion of public employees' income after retirement. By providing guaranteed benefits, these plans help PERSI's retirees to be financially self-sufficient, and therefore, less likely to be dependent upon public welfare programs. The DC plan provides an additional and portable option for employees to build a secure retirement.

PERSI's Retirement Board, as well as the entire agency, exists for one reason: to service the interests of the system's beneficiaries. As fiduciaries, PERSI is entrusted to prudently and accurately collect, invest, maintain, and distribute retirement funds as specified by law.

For more information contact Jim Monroe at 287-9231.

## Gov's Off - Public Empl Retirement Syst

### Portfolio Investment

#### Description:

The purpose of the investment of the Trust assets is to provide funds to meet the liabilities of the Public Employee Retirement System of Idaho (PERSI) while incurring the appropriate amount of risk consistent with attaining that goal.

#### Major Functions and Targeted Performance Standard(s) for Each Function:

- Investment of the PERSI Trust assets.

A. Meet 8% long-term hurdle rate of return on investments.

Actual Results			
2000	2001	2002	2003
13.30%	(6.06%)	(7.1%)	3.22%
Projected Results			
2004	2005	2006	2007
8.00%	8.00%	8.00%	8.00%

B. Annual portfolio investment income based on market value, net of fees.

Actual Results			
2000	2001	2002	2003
\$828,897,800	(\$460,395,100)	(\$495,024,200)	\$208,318,800
Projected Results			
2004	2005	2006	2007
\$798,000,000	\$845,500,000	\$887,000,000	\$930,000,000

C. Ending portfolio market value.

Actual Results			
2000	2001	2002	2003
\$7,238,590,000	\$6,671,501,000	\$6,227,219,000	\$6,458,917,000
Projected Results			
2004	2005	2006	2007
\$7,300,000,000	\$8,200,000,000	\$8,850,000,000	\$9,250,000,000

D. Number of investment fund managers at year-end.

Actual Results			
2000	2001	2002	2003
32	34	36	35
Projected Results			
2004	2005	2006	2007
36	37	38	39

E. Number of investment fund managers hired/fired during the fiscal year.

Actual Results			
2000	2001	2002	2003
4/0	2/0	3/1	0/1
Projected Results			
2004	2005	2006	2007
1/0	1/0	1/0	1/0

F. Keep risk (three-year standard deviation of return) at or below 13.5%.

Actual Results			
2000	2001	2002	2003
12.40%	11.80%	13.00%	13.20%
Projected Results			
2004	2005	2006	2007
13.50%	13.50%	13.50%	13.50%

**Gov's Off - Public Empl Retirement Syst**  
**Portfolio Investment**

G. Keep contribution rate stable (with any increases due only to benefit plan enhancements). \*Total of 3% increase over three years split between employer and employee returns rate to pre 1998 levels.

Actual Results			
2000	2001	2002	2003
Stable	Stable	Stable	Stable
Projected Results			
2004	2005	2006	2007
Stable	+1%	+1%	+1%

H. \*Employer Contribution Rate. \*Total of 3% increase over three years split between employer and employee returns rate to pre 1998 levels.

Actual Results			
2000	2001	2002	2003
9.77%	9.77%	9.77%	9.77%
Projected Results			
2004	2005	2006	2007
9.77%	10.39%	11.00%	11.61%

I. \*Employee Contribution Rate. \*Total of 3% increase over three years split between employer and employee returns rate to pre 1998 levels.

Actual Results			
2000	2001	2002	2003
5.86%	5.86%	5.86%	5.86%
Projected Results			
2004	2005	2006	2007
5.86%	6.23%	6.60%	6.97%

J. Reduce the amortization period for the unfunded liability on or ahead of the adopted schedule.

Actual Results			
2000	2001	2002	2003
full funding	12.9 years	39.3 years	19.4 years
Projected Results			
2004	2005	2006	2007
full funding	full funding	full funding	full funding

K. Pay retirees the maximum Cost of Living Allowance (COLA) allowable by law.

Actual Results			
2000	2001	2002	2003
3.4% (max.)	2.7%	1.0%/1.8%	2.2% of CPI
Projected Results			
2004	2005	2006	2007
100% of CPI	100% OF CPI	100% of CPI	100% of CPI

**Program Results and Effect:**

The primary funding goal of PERSI is to maintain a well-funded system along with assuring stable contribution rates for employee and employer members, while granting annual Cost of Living Adjustments (COLAs) to retirees. In years with excess investment earnings, Gain Sharing may be declared by the PERSI board. Gain Sharing is then distributed to retirees, members and employers.

For more information contact Jim Monroe at 287-9231.